

Approved: 3/21/96
Date

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES.

The meeting was called to order by Chairman Ben Vidricksen at 9:05 a.m. on March 19, 1996 in Room 254-E of the Capitol.

All members were present except:

Committee staff present: Hank Avila, Legislative Research Department
Ben Barrett, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Martha Ozias, Committee Secretary

Conferees appearing before the committee:

Mike Armour - KDOT, Division of Aviation
Donna Avery - President, Kansas Association of Airports
Jerry Moran - Senator from Hays
Dick Fankhauser - Garden City and Finney County
Ken Black - Manager, Manhattan Municipal Airport
David Stremming - Metropolitan Topeka Airport Authority
Tim Rogers - Executive Director, Salina Airport Authority
Lavern Squier - Ellis County Coalition for Economic Development, Hays
Ron Hubbs - Taxpayer, Hays

Others attending: See attached list

SR 1816 - REQUESTING KDOT TO DEVELOP RESPONSE TO REDUCTION OF FUNDING IN ESSENTIAL AIR SERVICE PROGRAM

Mike Armour addressed this resolution acknowledging that recent reductions in federal subsidies have created a significant challenge for the communities. There is now a need to examine a wide range of solutions for stable and reliable commercial air service for the economic vitality and quality of life of many communities. The time has come to determine the best way to ensure that this important type of transportation service continues. (Attachment 1)

Donna Avery appeared on behalf of the Kansas Association of Airports stating their organization has a goal of improved air service for the entire state of Kansas. They feel that the state must respond to the reduction in funding and service level under the Federal Essential Air Service Program. (Attachment 2) She read testimony submitted by Ken W. Strobel, City Attorney for the City of Dodge City (Attachment 3) and Bailis F. Bell, Director of Airports for the Wichita Airport Authority. (Attachment 4)

Senator Moran spoke to this Resolution stating that air service is a critical issue for many communities and Air Service will have a critical impact on new jobs and services in those areas.

Testimony was heard from Dick Frankhauser who stated that the Essential Air Service program was originally established to give communities a chance to show that their citizens would use regularly scheduled passenger service if it was available. He felt that it was now time to evaluate whether this program was really working and examine the initial purposes. He thought that it was time to look at the role of federal and state government in subsidizing air service and stated that his group would like to be a part of the group that would discuss alternate programs have a say in what happens to community air service. (Attachment 5)

Ken Black felt that Kansas should develop and formulate a response to reductions in funding and service levels. This should be a proactive type of marketing support for communities state wide to maintain existing commercial air service and help attract additional service. He encouraged the development of independent regional airline operations which would offer realistic fares at a reasonable price and would be regionally structured. (Attachment 6)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES, Room 254-E
Statehouse, at 9:05 a.m. on March 19, 1996.

David Stremming reiterated that a well-developed air transportation system is essential in order to retain existing businesses and to attract new business to the state. He urged the Legislature to schedule an interim study in order to develop a response to the reductions in funding and service levels under the Federal essential air service program. (Attachment 7)

Tim Rogers also urged the Legislature to schedule an interim study on this bill to provide the proper forum for various interested parties to express their ideas on how air service levels can be maintained and enhanced. (Attachment 8)

Lavern Squier discussed the effects of the Essential Air Service subsidy reductions by the Federal Government. He pointed out that airline carriers were forced to make decisions on very short notice without proper information. Because of this, pricing, routing and availability of air service was greatly affected. The City of Hays is no longer able to enjoy "dual hub" and "dual carrier" service and the Federal government chose which hub would remain. Inconsistencies and insecurities at the Federal level leads to poor planning at the community level. Airlines are required to land in communities when no one is scheduled to board or deplane and airplanes are required to wait in that given community until the scheduled departure time. Mr. Squier stressed the need to examine options to keep all part of Kansas "modern" in transportation abilities. (Attachment 9)

Ron Hubbs spoke as a private citizen and taxpayer and addressed the thought that airlines don't need to be subsidized. He felt all that was really needed was good service at a reasonable price. Mr. Hubbs distributed several pages on consumer and government debt to the Committee. (Attachment 10)

A chart on U.S. Subsidized Essential Air Service (Attachment 11), Committee Testimony, (Attachment 12) and a Legislative Bill from Nebraska (Attachment 13) was given to the Committee for their perusal.

The Chairman announced that a short, special meeting will be called later to take action on this legislation. No date available at this time.

The meeting was adjourned at 10:03 a.m.

SENATE TRANSPORTATION AND UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 19, 1996

NAME	REPRESENTING
Charles Seese	Hays
Lavem Squier	Hays
Dick Fankhauser	GARDEN CITY
Carol Meyer	Garden City
Mark Feaster	Garden City
Ted Anderson	Garden City
Jack Taylor	Liberal
Don HUBBS	HAYS
Ken Edler	Economic Linklines
Anne Cweng	Worthen Field Airport - ^{President} KDA
KEN BLACK	CITY of MANHATTAN - AIRPORT
Jim Poyer	Ellin Airport Authority
DAVID STREMMING	TAPETA AIRPORT AUTHORITY
Nancy Bogina	KDOT
Mike Armour	KDOT
Tom WHITAKER	Ks MOTOR CARRIERS ASSN

KANSAS DEPARTMENT OF TRANSPORTATION

E. Dean Carlson
Secretary of Transportation

*Docking State Office Building
Topeka 66612-1568
(913) 296-3566
TTY (913) 296-3585
FAX (913) 296-1095*

Bill Graves
Governor of Kansas

TESTIMONY BEFORE
SENATE COMMITTEE on TRANSPORTATION and UTILITIES
by the
Division of Aviation

REGARDING SENATE RESOLUTION 1816

March 19, 1996

Mr. Chairman and Committee Members:

I am Mike Armour, Director of the Division of Aviation for the Department of Transportation. We at the Department welcome the opportunity to testify today on the issue of air service in Kansas. While the Department serves no direct role in the provision of air service or the federal Essential Air Service subsidy program, our Division tracks and assists the various communities in their efforts to maintain service.

The recent reductions in federal subsidies have created a significant challenge for the communities affected as well as the rest of us who recognize the importance of commercial air service in providing a critical link in our state transportation system. I have detailed the effects of the federal subsidy reductions on the attached fact sheet. In summary, the major consequence of the US DOT reduction was that subsidies for service from Dodge City, Great Bend and Hays to Denver and from Garden City to Kansas City were eliminated. Dodge City, Great Bend and Hays continue to receive subsidized service to Kansas City and a subsidy for Garden City to Denver service also continues.

While the immediate effects of the loss of subsidy are clear, how best the state and the local communities can work to solve the problem is not. An easy answer might appear to be a replacement of the lost federal dollars with state or local money. However, in these times of stiff competition for public funds, that may not be practical. Even if funds were available for such a purpose, this may not be the best solution to provide reliable air service to our communities over the long term.

The entire federal program is set to expire on September 30, 1998, and will undoubtedly be explored in the context of the FAA reauthorization legislation that is winding its way through Congress now. The appropriations process for the federal '97 fiscal year will be another factor in what the future holds. Attempts to eliminate the federal subsidy have become routine, making the need to examine a wide range of solutions even more important.

We stand ready to assist you in this effort in whatever way we can. Stable and reliable commercial air service is an important element in the economic vitality and quality of life of many of our communities. We need to determine the best way to ensure that this important transportation service continues. If you decide to schedule any hearings, KDOT would be pleased to offer testimony.

I would be happy to answer any questions you may have.

Fact Sheet on Essential Air Service Subsidies in Kansas

Prepared by the
Division of Aviation
Kansas Department of Transportation
for the
Senate Committee on Transportation and Utilities
March 19, 1996

Background

Essential Air Service (EAS) is a federal air service subsidy program that was created in 1978 to reduce the impact of airline deregulation on service to small communities. The program was originally intended to last only 10 years, but has periodically been reauthorized. However, in recent years the program has faced continuing budget reductions. In the fiscal year 1996 budget formulation process, the debate intensified to the point of proposals for total elimination, but Congress settled on an appropriation of \$22.6 million, a one-third reduction from the previous year's \$33.4 million.

Across the Board Cuts

On November 17, 1995 the U.S. Department of Transportation issued an order detailing the operation of the EAS program under the funding reduction. Because of the overall federal budget dispute in Washington, the program operated for nearly two months of fiscal year 1996 at a rate based on last year's appropriation of \$33.4 million. This necessitated a reduction for the remainder of this fiscal year to an annualized spending level of about \$20.5 million--a 38% reduction from the fiscal year 1995 level of spending. The November 17 order noted that Congress was aware that the application of last year's subsidy criteria would not result in savings sufficient to meet the appropriated level. But the conference committee report on the appropriation bill did indicate that the conferees intended that all essential air service communities participating in 1995 would continue to be eligible for subsidy in 1996, albeit at reduced levels. The order stated that it was clear that Congress charged the Department of Transportation with making substantial cuts in existing service and subsidies, but that it did not expect the DOT, on its own initiative, to achieve the necessary cuts by eliminating any communities.

Changing the Service to Implement Cuts

Following this approach, the Department implemented three major changes. First, no community received subsidy for service to a second hub. This measure affected ten communities in the nation, four of which are in Kansas. Second, subsidies were limited to support service for

no more than five days per week. And third, there was no support for more than two round trips each service day. Last year, about 50 of the 80 participating communities received subsidies for three or more round trips per day.

By taking these actions the DOT anticipated it would be able to realize the savings necessary to meet the reduced appropriation. The Department also noted that these across the board type actions were necessary because it was not feasible to renegotiate the subsidies for some 80 service points quickly enough to implement the required cuts.

Effects in Kansas

As a consequence of this action, subsidy for service from Dodge City, Great Bend and Hays to Denver and from Garden City to Kansas City was entirely eliminated. Dodge, Great Bend and Hays continue to receive subsidized service to Kansas City and a subsidy for Garden City to Denver service also continues.

Subsequent to the issuance of this order, Mesa Air Group attempted to suspend service altogether at Goodland. The DOT prohibited Mesa from suspending service through April 8, 1996, and solicited bids from other carriers to provide that service as well as service provided by Mesa at Liberal.

As a result of the actions of the DOT, the *subsidized** service in Kansas has been adjusted as follows:

City	Previous RTs/weekday**	Current Rts/weekday	Prev. Subsidy	Subsidy under 17 Nov. Order
Dodge City	2 east, 2 west	2 east	\$144,980	\$113,693
Garden City	2 east, 3 west	2 west	\$301,243	\$190,987
Goodland	2 west	2 west	\$301,243	\$190,987
Great Bend	2 east, 1 west	2 east	\$144,980	\$113,693
Hays	2 east, 2 west	2 east	\$144,980	\$113,693
Liberal	3 west	2 west	\$301,243	\$190,987
Topeka	4 west	2 west	\$47,778	\$25,487
Total			\$1,386,447	\$939,527

*Carriers may elect to continue to provide service even though the subsidy has been eliminated. They also may be providing other, non-subsidized service not reflected on this chart.

**In addition, some weekend service was also subsidized.

**SENATE TRANSPORTATION AND UTILITIES COMMITTEE
TUESDAY, MARCH 19, 1996
ROOM 254E - STATE CAPITOL BUILDING - TOPEKA, KANSAS**

TESTIMONY OF DONNA J. AVERY

Members of the Senate Transportation and Utilities Committee - Good Morning.

I am Donna Avery from Cowley County in Southcentral Kansas. I am the manager of Strother Field Airport/Industrial Park, jointly owned, governed and operated by the cities of Winfield and Arkansas City, and am Administrative Officer for our county economic development organization.

I appear before this Committee today in that capacity, expressing concern on the part of our area of Kansas. However, I further appear as the current President of the Kansas Association of Airports, an honor and privilege that has been a significant learning experience for me. I'd like to share with you a few facts about this small, but extremely important organization.

The purpose of the Kansas Association of Airports is set out in its by-laws as follows:

1. To provide a medium for the exchange of ideas, methods, information and experiences as they relate to airport management;
2. To promote and encourage the passage of legislation on all levels for the good of Kansas airports and aviation;
3. To promote and encourage the public's understanding of the value of aviation and an airport to the community;
4. And finally, to cooperate with all governmental agencies and industry organizations having as their primary goal the betterment of aviation.

Membership in the organization is open to governmental entities which exercise active

responsibility for the management or administration of one or more publicly-owned or leased airports, private airport owners, consultants, engineers, contractors, suppliers and others interested in the purpose of the organization.

The majority of the members are actually community owned and operated airports, most often represented in the organization by the airport managers.

Four years ago, the number who would gather at a meeting of KAA could be expected to be as low as 10 and as high as 25. Today the organization has over 60 members, and at our last meeting in February there were over 50 in attendance. This sends a strong signal of the increased recognition of the importance of the purpose for which we are instituted, and further the added awareness of the responsibility we have to carry that message to the general public.

Here I would be amiss if I did not make note of the fact that Governor Graves exercised excellent judgment when he chose Mike Armour to head up the Division of Aviation to work with Secretary Carlson within the Department of Transportation. Mike has brought a level of professionalism and expertise to this position. He has headed the thought process of members of KAA in the right direction to thrust aviation efforts within this state into the 21st Century. In addition, KDOT has developed a concept for a General Aviation Airport Development program which is exciting to all of us who envision the positive impact such a program could have.

Our organization has a goal of improved air service for the entire state of Kansas. We believe that as a state we must respond to the reduction in funding and service levels under the Federal Essential Air Service Program. A number of our members have given much thought to the impact of these changes. Some of them are here today, or have sent testimony to be presented. I have some testimony to read, and then will introduce other KAA members who will be providing you with additional facts and information which they consider alternative solutions

**City of
Dodge City**

OFFICE OF THE CITY ATTORNEY
C/O Williams Law Firm
P.O. Box 39
Dodge City, KS 67801
Phone: 316/225-4168
FAX: 316/225-7261

March 18, 1996

Senator Ben Vidricksen
Kansas State Legislature
State Capitol
300 SW 10th Avenue
Topeka, Kansas 66612-1504

Re: Senate Resolution No. 1816

Dear Senator Vidricksen:

I am writing on behalf of the City of Dodge City in support of Senate Resolution 1816, which I understand will be the subject of a Senate Transportation Committee meeting Tuesday morning. Unfortunately, due to prior scheduling commitments, I will not be able to attend this hearing.

As you may be aware, Dodge City has been a participant in the federal Essential Air Service Program for the duration of that program. Although the federal program is far from perfect, it has enabled Dodge City, and other communities throughout the western part of the state, to maintain scheduled air service, which is vitally important to our growth and economic development. In light of the current federal funding reductions in that program as well as the apparent ultimate demise of the program within the next year or so, the City of Dodge City would strongly encourage the Kansas Legislature and the Kansas Department of Transportation to schedule summer hearings in order to spend the required time to develop an appropriate state response to the air service needs of the Kansas communities.

The City of Dodge City looks forward to working with your interim committee as well as the Kansas Department of Transportation and other interested parties in formulating a position and response relative to this critical issue.

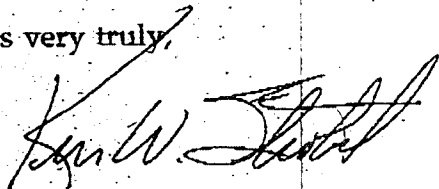


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Senator Ben Vidricksen
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Thank you again for your continued concerns for air service.

Yours very truly,

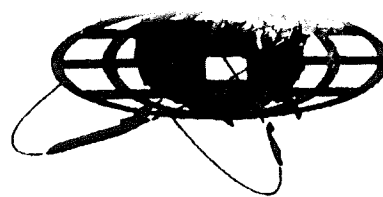


Ken W. Strobel
City Attorney

c: John Deardoff, City Manager
Mike Klein, Airport Manager
Senator Marian Reynolds

Wichita Airport Authority

Wichita Mid-Continent Airport
Colonel James Jabara Airport



March 18, 1996

TO: Members of the Kansas Senate Transportation and Utilities Committee
FROM: Bailis F. Bell, Director of Airports
RE: Essential Air Service in Kansas

This letter is written in support of Senate Resolution 1816 which is currently being considered.

Since the 1978 deregulation of the airline industry, Kansas has enjoyed the financial support of the U.S. Government in maintaining commuter airline service to/from a number of Kansas communities. Prior to 1978, Kansas enjoyed other forms of air service subsidy to provide air transportation to many of those same communities.

This past year significant reductions took place in the Essential Air Service program and it is entirely conceivable that the funding could be altogether eliminated, which would leave air service to many Kansas communities non-existent.

Continued air service to rural Kansas has long been realized as essential to the well-being of Kansans and their economies. Given the above, it is strongly recommended that the State of Kansas undertake the leadership to provide a forum for the study of alternatives designed to provide the necessary air service to Kansas communities.

The Wichita Airport Authority would be pleased to be involved in further developing alternatives for Kansas commercial air service.

It is, therefore, recommended that Senate Resolution 1816 be adopted and that the Kansas Department of Transportation intensify immediately its involvement in this most necessary project.

Bailis F. Bell
Director of Airports

BFB:vw
c w/enc:

Wichita Airport Authority Members
Sedgwick County Legislative Delegation

2173 Air Cargo Road, P.O. Box 9130, Wichita, Kansas 67277-0130 / (316) 946-4700 / Telefax (316) 946-4793
A member of Airports Council International

SENATE TRANSPORTATION
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Thank you for the opportunity to provide information to your committee. My name is Dick Fankhauser, and I represent people who are in attendance - and who couldn't make it to today's hearing - from Garden City and Finney County. Those people include members of the Finney County Economic Development Corporation, members of the Garden City Area Chamber of Commerce, representatives from the City of Garden City and the Finney County Commissioners, and members of the business community.

It is always amazing that a simple bill, or resolution in this case, submitted with sincere intent by its sponsors, can be taken in so many different ways by the people the legislation may involve. So we applaud you for what we know is a sincere attempt to "address" the essential air service situation, and we applaud your desire to respond to the federal government about the effects of the cuts in funding and in service within this airline subsidy program. And that's where the challenge comes.

It is true that passenger air service is an important component of the state's transportation system. It is true that communities rely on air service for their total economic well-being. It is true that the US Congress has reduced the funding and the service levels in the federal essential air program. But what will your response to the federal government be? If your response is that you favor a continuation of the program as it exists today, you would be advocating a system that actually penalizes the airlines by its inflexibility, forces them to lose money going into markets that will probably never build ridership, and that keeps relatively active air service communities from receiving the number and frequency of the flights they could fill. If your response is that you don't favor the continuation of the program as it is today, you would be advocating the loss of scheduled air service to communities in Kansas.

The six western Kansas communities and one Colorado community who are receiving the subsidies have had extensive meetings over the past eighteen months, and we can't seem to agree on what is the right response to the funding and service cuts - or to the continuation of the entire essential air service program.

The EAS program was established in 1978 at the time the Airline Deregulation Act was enacted. It was created to address concerns that small communities would lose service entirely. And in many cases, the program has been a life saver to communities. However, under the existing program, the Department of Transportation determines the minimum level of service required at each community, and the minimum number of round trips. Several communities in Kansas, throughout the eighteen years of the program, lost their EAS subsidies because of changes in the rules by the Department of Transportation.

The communities where service has already been cut include Hutchinson, Parsons, Independence and Coffeyville. Great Bend, Lamar, and Goodland are under the gun now - because their demographics have changed over the years and they just aren't generating enough boardings to even make a subsidized program work. These communities are also close (by the Department of Transportation's definition) to other larger airports.

The Essential Air Service program was established to give communities a chance to show that their citizens would, in fact, use regularly scheduled passenger service if it were available. Now the program is 18 years old, and it's time to evaluate whether it's really working or not. It's time to re-examine the initial purposes of the program and see if the needs are still the same - and if the taxpayers are still willing to fund the EAS program, or a similar one.

And it's time to look long and hard at what the role of the federal government - or the state government - should be when it comes to subsidizing air service or the marketing of air service. We do not support the continuation of the EAS program as it is today. And it would take a pretty powerful substitute program to make us want to tax our individuals and businesses, or access charges to travelers who already think the price of travel is too high. However, if there are going to be alternate programs suggested and discussed, we'd sure like to be a part of them, and have a say in what happens in and to our community air service.



Ken Black, Airport Manager

Manhattan Municipal Airport

1725 S. Airport Road, #1
Manhattan, Kansas 66503

Subject: Kansas Senate Resolution No. 1816

This resolution addresses a very important problem affecting air transportation services provided to the people of Kansas. This problem concerns the gradual loss of commercial air service to communities throughout the State of Kansas. The federal government can no longer afford to subsidize this service. While this year the subsidy fell approximately 50% nationwide, next year the subsidy may disappear altogether. As stated in the resolution, passenger air service is an essential component in the overall transportation needs of the state, and this service will likely diminish in the near future.

I believe the State of Kansas should develop and formulate a response to reductions in funding and service levels. This response should take the form of proactive marketing support for communities state-wide to maintain existing commercial air service and help attract additional service wherever possible. Efforts to sustain or replace current subsidy levels will eventually fail, because the inertia to reduce government involvement is overwhelming.

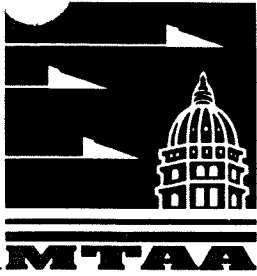
Proactive marketing support can identify viable service areas for regional airlines within the state. These service areas can connect through innovative routing. For example: possible destination pairs for westbound service to and from Denver or Colorado Springs could include Manhattan-Hays, Salina-Dodge City, or Manhattan-Salina. All alternatives are worth exploring. In Manhattan, I will actively seek additional airline service this year through Wichita to Dallas-Fort Worth as the Big "8" transitions to the Big "12." In addition, the State should openly solicit airline service through direct contact with regional airlines. This contact keeps these airlines well informed about potential air service markets within Kansas.

A contributing problem affecting commercial air service throughout the state is the code sharing alliance between regional airlines and their partners from the ranks of the major air carriers. Code sharing benefits regional airlines in the areas of marketing and reservations, but the availability of reasonable fares for their customers diminishes rapidly. Affordable fares are only available into the markets served competitively by the major air carrier partner. Fares for service into other markets served by other airlines are generally much higher. Furthermore, fares for service to Kansas City International Airport where the customer wishes to connect with a discount air carrier are often astronomical. To make matters worse, carriers not participating in code sharing agreements are discriminated against in the reservation systems. This is a major barrier to new airline development.¹

The State of Kansas should encourage the development of independent regional airline operations. This type of operator can offer fares that are realistic, reasonable, and regionally structured. Aircraft manufacturers in this state would benefit from start-up independents. Furthermore, state support for FAA certification of single-engine aircraft operation in instrument meteorological conditions would open the door for many new regional airline operations. Bottom line: while discount airlines have thrived in the major markets, they do not even exist regionally because of code sharing and FAA operational limitations.

In summary, regional airline service subsidies are short-lived. The State of Kansas can best promote passenger air service for its citizens by proactively supporting commercial service airport marketing efforts. This partnership between the State and airports can identify profitable service areas and routes for the regional airline industry. State encouragement of independent regional airline service will yield affordable fares for air travelers and enhance regional airline markets through increased usage of commercial service airports within the state.

¹ Air Service Challenges Facing Rural America, American Association of Airport Executives, January, 1995



Metropolitan Topeka Airport Authority

Administrative Office

**Testimony Before
Senate Committee on Transportation and Utilities
Kansas Legislature
Regarding Senate Resolution 1816**

by
David A. Stremming
President
Metropolitan Topeka Airport Authority
March 19, 1996

Dear Mr. Chairman and Committee Members:

I am David Stremming, President of the Metropolitan Topeka Airport Authority, Topeka, Kansas. The MTAA operates the airport at Forbes Field, one of 10 Kansas airports which receive scheduled commercial air service. There are a total of 150 public use airports in the state.

With the adoption of Senate Resolution 1816, the Kansas Senate has recognized that the availability of quality air service is required for the economic well being of the entire state. A well-developed air transportation system is essential in order to retain existing businesses and to attract new businesses to the State of Kansas.

The MTAA appreciates the fact that the Kansas Senate passed Senate Resolution 1816 and urges the Legislature to schedule an interim study in order to develop a response to the reductions in funding and service levels under the Federal essential air service program. The study will provide the proper forum for various interested parties to express their ideas on how air service levels can be maintained and perhaps enhanced.

The Metropolitan Topeka Airport Authority looks forward to working with members of the Legislature in developing a State plan for the enhancement and improvement of air service in Kansas.

SENATE TRANSPORTATION
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Forbes Field, P. O. Box 19053, Bldg. 620, Topeka, Kansas 66619-0053
(913) 862-2362 FAX: (913) 862-1830

T O P E K A
AIR INDUSTRIAL
P A R K

**TESTIMONY BEFORE
SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES
KANSAS LEGISLATURE**

Regarding Senate Resolution 1816

By:

Timothy F. Rogers, A.A.E.

Executive Director

Salina Airport Authority

March 19, 1996

Mr. Chairman and Committee Members:

I am Tim Rogers, Executive Director for the Salina Airport Authority, Salina, Kansas. The Salina Airport Authority operates the Salina Municipal Airport, which is one of 10 Kansas airports which receive scheduled commercial air service. There are a total of 150 public use airports in the state.

The Salina Airport Authority appreciates the fact that the Kansas Senate passed Senate Resolution No. 1816 and urges the Legislature to schedule an interim study in order to develop a response to the reductions in funding and service levels under the federal essential air service program. The study will provide the proper forum for various interested parties to express their ideas on how air service levels can be maintained and perhaps enhanced.

Such a study should include representatives of the following:

Federal Aviation Administration
Kansas Department of Transportation
Kansas Department of Commerce and Housing
Kansas Association of Airports
Kansas League of Municipalities
Kansas Association of Counties
Cessna Aircraft
Raytheon Aircraft Co.
Kansas air charter operators

Of most importance will be the thoughts and opinions of the citizens of Kansas.

With the adoption of Senate Resolution 1816, the Kansas Senate has recognized that the availability of quality air service is required for the economic well-being of the entire state. A well-developed air transportation system is essential in order to retain existing businesses and to attract new businesses to the State of Kansas.

The Salina Airport Authority looks forward to working with members of the Legislature in developing a State plan for the enhancement and improvement of air service in Kansas.



Salina Airport Authority
Salina Municipal Airport

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In conclusion, thank you for the close attention you have given to the members of the Kansas Association of Airports. Undoubtedly, additional thoughts will be forthcoming as this matter comes to public attention.

A position all of us share, regardless of which alternative we support, is that as an organization we urge the State of Kansas to step out and take a leadership role by providing the forum for the study of this matter, and the development of solutions which will advance continued air service to rural Kansas. We believe this is essential for the preservation of the economy for each and every region of this state.



Ellis County Coalition for Economic Development

1301 Pine - P.O. Box 220 - Hays, KS 67601

PH: (913) 628-3102 FAX: (913) 628-1471

Senate Transportation Committee

Senate Resolution 1816

Testimony of: Lavern Squier, Executive Director
Ellis County Coalition for Economic Development
Representing: City of Hays/Hays Municipal Airport
March 19, 1996

Committee Members:

I sincerely appreciate the opportunity to visit with you today regarding the effects of the Essential Air Service (EAS) subsidy reductions by the Federal Government. While these cuts were announced in late 1995, the magnitude of the situation will not be fully realized for some time to come. To recap the cities involved in western Kansas, they would be Garden City, Liberal, Dodge City, Great Bend, Goodland, and Hays. Each of these communities will have been impacted similarly, yet differently. To review the similarities of the situation, Mesa Holding Corporation operates Mesa Airlines which has a number of subsidiaries across the United States. In western Kansas, we are most familiar with Air Midwest which has corporate offices in Wichita and operates the USAir Express service to Kansas City, and Mountain West Airlines which has corporate offices with the parent company in Farmington, NM, and operates United Express air service to Denver. The differences in the communities lie in the particular structure of their air service and their ridership levels. For example, some of these communities may struggle with low boardings, while other communities need more flights because of a growing market share.

The effects of the Federal action are many. The airline carrier was forced to make decisions on very short notice without proper information. This affected pricing, routing, and ultimately, availability of air service at all. Communities such as Hays were told that we could no longer enjoy "dual hub" and "dual carrier" service as we had since May 1, 1992. This is the date we saw the start of United Express service to Denver. In the ensuing years, Hays has seen boardings go up almost monthly with December of 1995 showing 560 boardings, which is the highest point in all of this decade. The Federal government also chose for us which hub would remain. In addition, the inconsistency and insecurity from year to year at the Federal level regarding Essential Air Service leads to poor planning at the community level, at best. Communities tend to not know whether or not there will be service, and if so, who will be providing it.

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Senate Resolution 1816 Testimony

Page Two

March 19, 1996

This system is also fraught with inefficiencies. Airliners are required to land in communities when no one is scheduled to board or deplane. Further, the airplane is required to wait in that given community until the scheduled departure time.

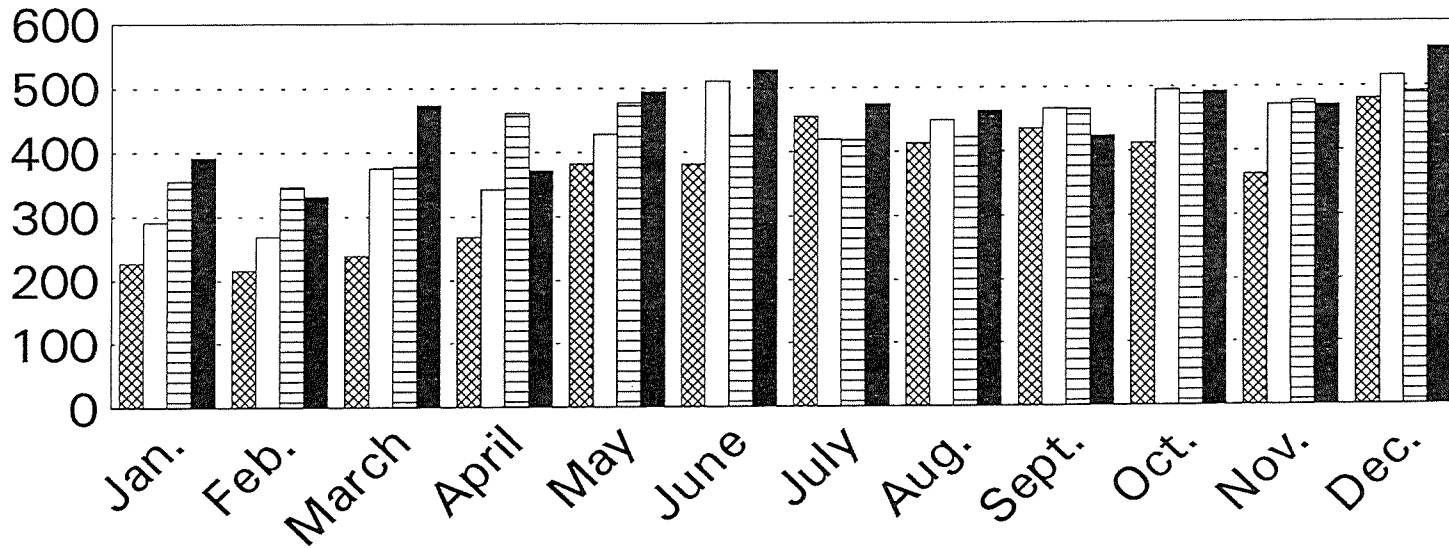
To work within the given situation, my organization, the City of Hays, and other volunteers from a variety of organizations, have assembled a marketing program to take control of our own destiny. We realize if we can increase market share to sustainable "open market" levels, we may in fact be able to retain air service without significant subsidies required. To this end, we have amassed contributions approaching \$40,000 to conduct an intense marketing campaign during the 1996 calendar year. The results have been impressive as stated by Greg Stephens, Vice President and General Manager of Air Midwest. As an example, our February, 1996 numbers represent a 78% increase over February, 1995. We have much to do to achieve our goal of 750 boardings on a monthly average by August, 1996. At that level, the air carrier has stated that they will be able to survive without significant subsidies.

However, the community of Hays and others in western Kansas, will have to continually assess their performance. Assistance may in fact be needed in some form to enable communities to maintain their economic viability through available, usable air service. As such, any and all options need to be examined to keep all parts of Kansas "modern" in our transportation abilities.

Thank you for the opportunity to discuss this matter with you.

AIRPLANE BOARDINGS

1992 through 1995
Hays Municipal Airport



1992 Boardings		227	216	239	268	382	381	455	413	435	412	363	480
1993 Boardings		291	269	375	342	428	511	419	449	466	495	471	516
1994 Boardings		355	347	378	461	477	426	418	422	465	488	477	491
1995 Boardings		391	332	473	371	494	528	474	463	423	492	470	560

** Monthly Average: '91 - 260; '92 - 356; '93 - 419; '94 - 434; '95 - 456

*** United Express Service began operation May 1, 1992

*** United Express Service discontinued operation Jan. 1, 1996

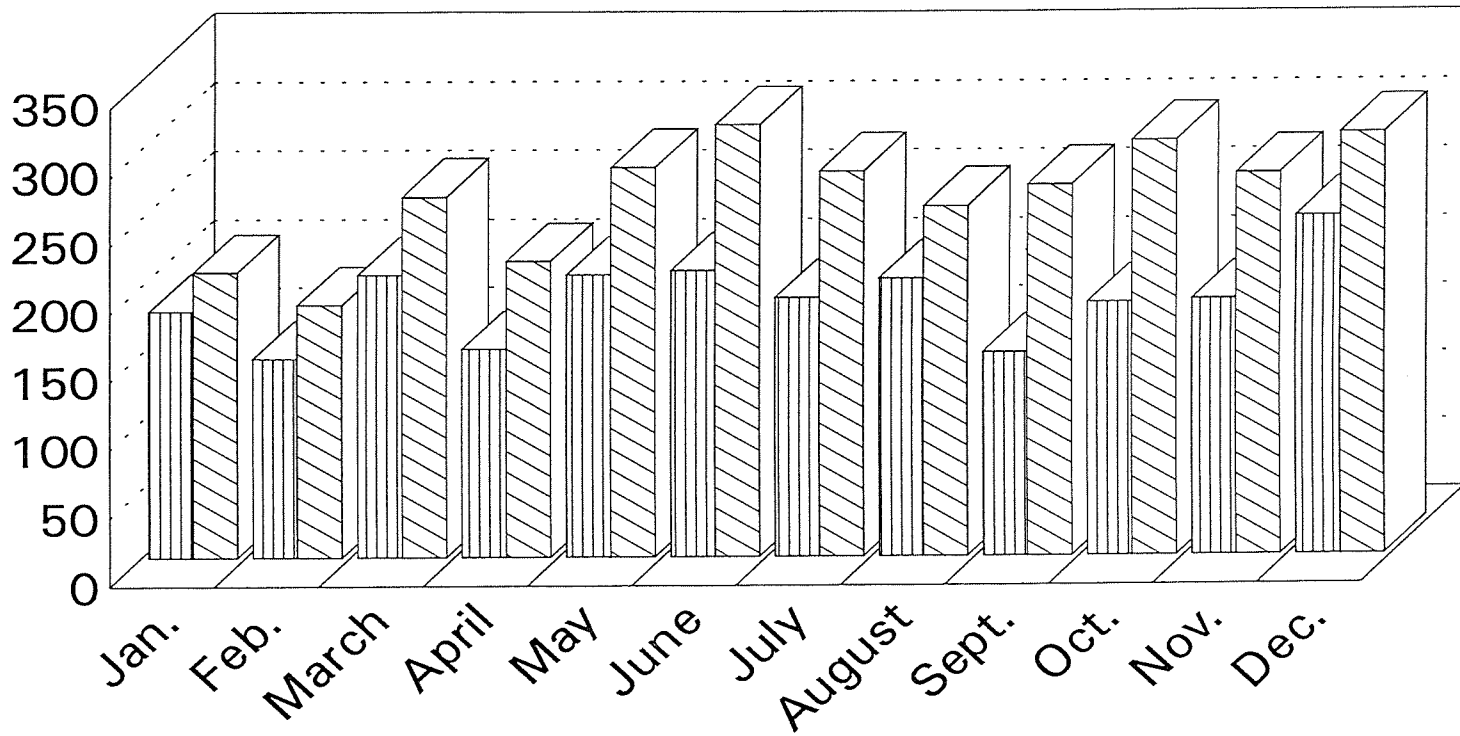


Ellis County Coalition
for Economic Development

AIRPLANE BOARDINGS

1995

United Express and USAir Express



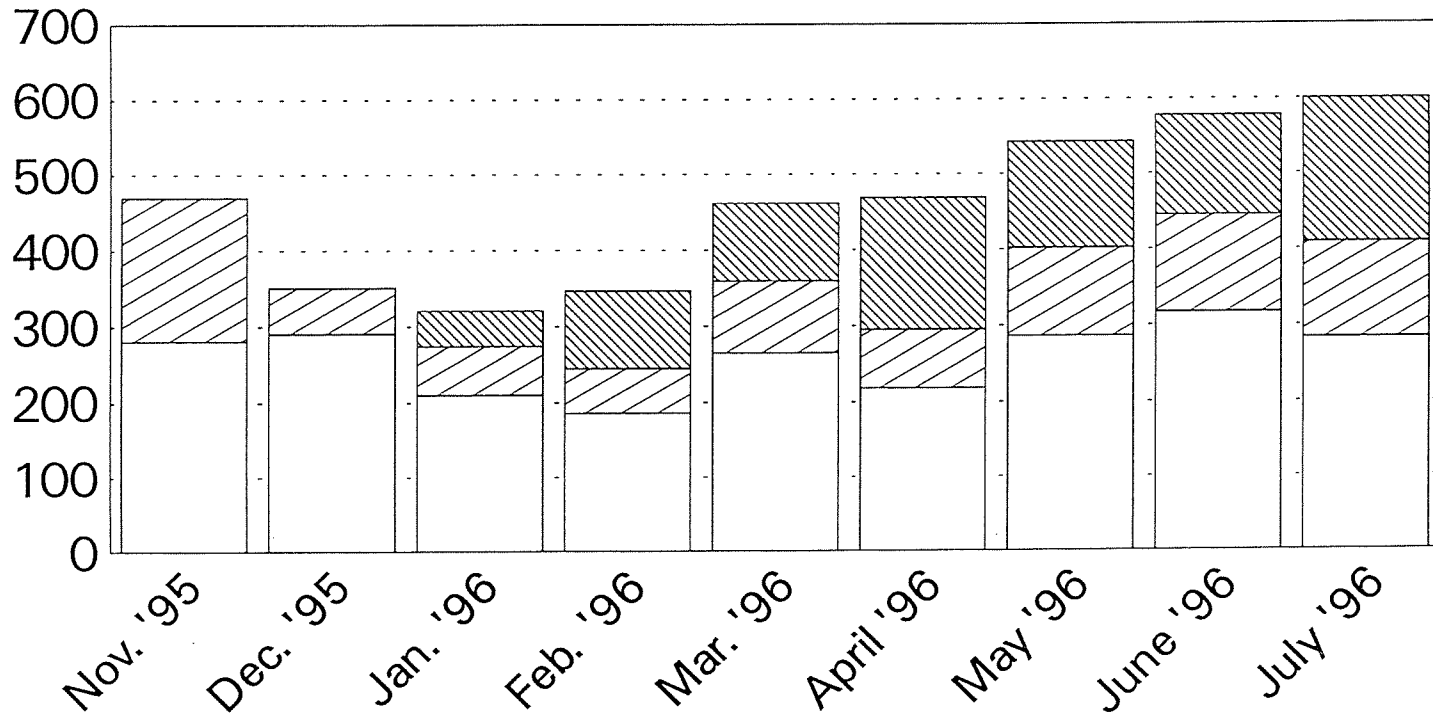
United Express	181	146	208	153	208	211	191	205	150	187	189	250
USAir Express	210	186	265	218	286	317	283	258	273	305	281	310






Ellis County Coalition
for Economic Development

SENATE TRANSPORTATION
 DATE: 3/19/96
 ATTACHMENT: 9-4

Projected Boarding Goals for 1996



SENATE TRANSPORTATION
 DATE: 3/19/96
 ATTACHMENT: 9-5

New Travel				47	102	103	174	141	133	191
United		189	60	64	59	94	77	116	128	126
USAir		281	291	210	186	265	218	286	317	283

Projected boardings based on 1995 monthly trends.
 Assuming a 30% conversion of United passengers for 12/95,
 up to a 66% conversion in 7/96.



Ellis County Coalition
 for Economic Development

1. TOTAL PUBLIC DEBT (202-208-0084)
Trillion
\$5,045,003,375,350.95

2. TOTAL CONSUMER DEBT
\$926.2 Billion
278.3 - Auto
281.5 - Revolving (Home)
Other
366.4 - Credit Card in 1994 -- 660.9 in 2000

3. STATE GOVERNMENT DEBT IN 1992
\$3.8 Trillion
Kansas Debt is \$935 Million

4. LOCAL GOVERNMENT DEBT IS \$599 Billion

5. 1991 CORPORATE DEBT (IRS)
Short Term \$1.5 Trillion
Long Term \$2.7 Trillion

We've seen huge income tax increases in 1986, 1990, and 1993. In 1996, the increase, the largest in our country's history, will be an astronomical \$285 billion.

In 1995, passengers at the Hays Airport was 5,471. The average per month was 456.

In January, 1996, there were 346 flyers
February 311

Hays spent \$1 million in 1990 on airport improvements. In 1995, Hays paid \$95,000 principle and \$58,000 in interest. At the end of 10 years, Hays will have paid almost \$1.4 million for a new airport used by less than 1% of the citizens of Ellis County. Approximately 260 citizens flew; 27,000 residents in Ellis County.

Subsidy payments to the two airlines serving Kansas have averaged \$1,864,697 a year for the last 5 years.

In Hays, wasteful spending by the City Commissioners has doubled the City budget in 6 years.

Property valuations during this same 6 years have been forced up 175% to keep up with run-away spending.

In the last two years, Hays has had more than 60 businesses close their doors.

What's the total cost to the taxpayers:

5,471 passengers @ 95% = 3,424 business passengers
3,424 passengers @ \$318 round trip to Kansas City = \$1,088,832
? Entertainment
? Car Rental
? Hotels
? Meals
? Parking
? Tips
? Sexually Transmitted Diseases

the fate of Stan...
er St. Fran... physician
ree murder in connec-
2, death of a patient, 81-
e also is charged with

deliberated.
The jury started its deliberations at 2:45 p.m. Thursday, at the conclusion of closing statements by attorneys.
Assistant state attorney general Jon Fleenor was matter-of-fact, detailing what he consid-

with an overdose of painkillers.
Defense attorney Kurt Kerns' closing 30-minute statement was emotionally charged.
"This is not about medical malpractice," Kerns said. "Stan has been in jail for the past 18 months."

was taken off life support.
"Dr. Cr... is not serve
40 years t... here and
to you," K... said.

Promotion financed

spend \$12,000
giving people to
out of Hays
an Rupp had
spending the
ote of the mil-
terminal that
City Manager
urging the city
financing the
s have partici-
omotional pack-
ion, radio, and

newspaper advertising, along with billboards, stickers and other miscellaneous types of promotion. When an estimated \$6,000 worth of airplane ride giveaways are included — courtesy of USAir Express' corporate manager, Air Midwest — the total cost for the Fly Hays campaign is put at \$40,140.

The motion for the \$12,000 contribution passed without dissent Thursday night, but Rupp said he was not sure that saying "fly, fly, fly in a wonderful advertisement" was going to solve the problem.

Rupp also was wary of a media advertising campaign that had been outlined by people in that industry.

CITY / See page 6

'Fly Hays' campaign

Contributions or pledges to "Fly Hays" media campaign:

- City of Hays: \$12,000
- Air Midwest: An estimated \$6,000 in free flights
- Ellis County Coalition for Economic Development: \$4,000
- Ellis County Economic Development Corporation: \$3,000
- Hays Medical Center: \$3,000
- Hays Convention and Visitors Bureau: \$2,000
- Hays Area Chamber of Commerce: \$1,000

First lady: A 'relief'

By PETE YOST
Associated Press

WASHINGTON — Her veracity under attack in the Whitewater affair, Hillary Rodham Clinton says her unprecedented grand jury appearance is not a first she particularly pleased about.

Nonetheless, the first lady says "it will be a relief" to answer prosecutors' questions stemming from the mysterious reappearance of long-sought billing records that outline her work for the failed Arkansas savings and loan center of the Whitewater criminal investigation.

Today's grilling by Whitewater prosecutors before a 12-member grand jury will occur behind closed doors. It's "not a first that I'm particularly pleased about, but I think that it's a necessary part of this investigation, and I intend to cooperate," Mrs. Clinton declared Thursday during a political trip to New Hampshire.

Mrs. Clinton was testifying today in the same U.S.

Walk: Alexander runs as an outsider

ing his folksy campaign that succeeded in home state of Tennessee

This is the last story in
looking at the major
for president.

THAL

The year 1974 wasn't a
an candidates, even in

Tennessee. Richard Nixon was gone but voters remembered that a Republican brought on their national nightmare and that Republicans defended him.

Lamar Alexander, running for governor of Tennessee, went down to defeat along with others of his party. When he toyed with trying again in 1978, his wife was cool.

"If you run the way you did before, you'll lose again," Honey Alexander said. "You flew around in little airplanes, seeing the same people." Go out and meet the voters, she said.

Alexander took her advice and it established his campaign style. He walked a thousand miles across the state, trying to shake a thousand hands each day. He wore a distinctive shirt. A ragtag musical group came along to attract crowds.

"At first my walk embarrassed quite a few establishment Republicans: playing my old high-school trombone — or sometimes the washboard — in 'Alexander's Washboard Band,'" he said later.

Alexander figured Tennessee's ordinary people weren't suit-and-tie types, so he wore that red-and-black shirt to emphasize his mountain roots, auctioning off some shirts along the way to raise money. "One way I could tell I was winning," he wrote, "was that the bids for autographed shirts kept going higher and higher."

The walk, he said, "became my metronome." It also got him known and he was elected to the first of two terms.

He got out the shirt again when he was trying to decide in 1994 whether to run for president and went out on the road, like a political Charles Kuralt. He drove 8,800 miles, visiting voters across the United States, asking them what they want in a president, assessing his own chances for being that person.

Deciding it looked promising, he set out across New Hampshire in a blur of red and black, glad hands.
Just like run



Republican presidential candidate
walk past a portrait of former Pr
this month in Washington.

John Rice Irwin, a friend of Alexander's at the Museum of Appalachia in Knoxville, recalls Alexander stopping in the mountains where some were playing checkers.

One followed him outside.
"You look like Lamar Alexander," he said.

"But that's who I am," the candidate replied.

"You don't resemble yourself in another such store. The ov

3, 1940. Franklin D. Roosevelt. On this date in history, the U.S. Navy seized French ships anchored in New York Harbor. More than 1,000 French sailors were taken aboard USS Miller & His Orchestra was

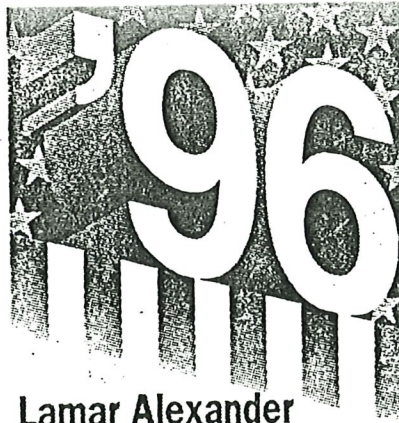
achelor's degree in Latin from Vanderbilt University, 1962. New York University, 1965. HONORARY: None.

practiced law intermittently; law firm: Judge Minor Wisdom; directed the U.S. Senate campaign; assistant secretary of education, 1970-71; relations office of Nixon White House, 1971-72; Tennessee Gov. Winfield Dunn, 1975-79; Republican nominee for Tennessee governor, 1979-86; Tennessee governor, 1987-90; secretary of education, 1990-92.

Age: 50. Four children: Andrew, 21; and William, 16. Religion: Presbyterian.

Estimated net worth: about \$1.2 million for 1994-95; Has assets worth at least more than \$6.1 million.

The Republicans CAMPAIGN



Lamar Alexander

SENATE TRANSPORTATION

DATE: 3/19/96

ATTACHMENT: 10-3

USDOT - EAS DATA

ANNUALIZED SUBSIDY RATES FOR DODGE CITY, GARDEN CITY, GOODLAND, GREAT BEND, HAYS AND LIBERAL, KANSAS, AND LAMAR, COLORADO

A. July 1, 1991, through September 30, 1991: all service -- both eastbound to Kansas City or Wichita, and westbound to Denver -- provided by Air Midwest.

\$ 1,904,739 for the communities named above, except Liberal-Wichita service

\$ 194,346 for Liberal-Wichita service

B. October 1, 1991, through April 15, 1992: as above.

\$1,820,205 for the communities named above, except Liberal-Wichita service

\$194,346 for Liberal-Wichita service

C. April 15, 1992, through October 31, 1992: Mesa took over westbound service to Denver from all seven communities on April 15, 1992. Air Midwest continued to provide eastbound service at Dodge City, Garden City, Great Bend, Hays and Liberal.

- \$2,148,746 for *all* service at the communities named above (a Mesa/Air Midwest breakdown would require some more work) —

D. November 1, 1992, through April 18, 1993:

\$1,885,371 (\$1,209,381 for Mesa, \$675,990 for Air Midwest)

E. April 19, 1993, through October 31, 1993: on April 19, 1993, Air Midwest's single Liberal-Wichita round trip was dropped in favor of Mesa's operating a third round trip to Denver.

\$1,836,210 (\$1,347,471 for Mesa, \$488,739 for Air Midwest)

F. November 1, 1993, through October 31, 1994:

\$1,717,855 (\$1,229,116 for Mesa, \$488,739 for Air Midwest)

G. November 1, 1994, through October 31, 1996:

\$1,639,914 (\$1,204,973 for Mesa, \$434,941 for Air Midwest)

NEW BUSINESS INCORPORATIONS BY SELECTED STATES, 1980-1992

	Colorado	Iowa	Kansas	Missouri	Nebraska	Oklahoma
1980	10,234	5,120	4,827	8,612	2,889	5,453
1981	12,523	4,914	4,913	9,021	3,269	8,748
1982	11,839	4,221	4,431	8,613	2,905	13,645
1983	12,814	4,368	5,333	9,817	2,818	10,053
1984	14,160	3,988	5,135	10,021	2,683	5,465
1985	14,171	4,097	4,752	10,176	2,617	8,149
1986	15,861	4,196	4,350	11,242	2,616	7,565
1987	14,489	3,761	4,264	10,294	2,610	7,551
1988	16,224	3,825	4,384	10,326	2,692	7,185
1989	13,355	4,554	4,358r	9,959	2,677	7,208
1990	12,257	4,381	4,249	9,761	2,934	7,152
1991 1	12,948	4,569	3,958	9,434	3,125	7,067
1992 1	14,953	4,688	4,376	9,653	3,215	7,358

NOTE: A business incorporation is a business that files for organization as a corporation with the secretary of state in each jurisdiction; it may reflect either an actual startup of a new business, an intention to start, conversion of an existing sole proprietorship or partnership to the corporate form, or the creation of a subsidiary of an existing corporation. Also, data are not seasonally adjusted.

SOURCE: U.S. Small Business Administration, "The State of Small Business," 1993.

1 - Fiscal year data.

BUSINESS BANKRUPTCIES BY SELECTED STATES, 1980-1992

	Colorado	Iowa	Kansas	Missouri	Nebraska	Oklahoma
1980	1,088	906	744	1,144	488	599
1981	1,597	940	652	907	394	642
1982	1,759	1,378	711	1,819	626	1,001
1983	1,492	1,341	550	1,075	534	1,049
1984	1,989	1,580	955	1,644	661	1,059
1985	2,347	2,272	1,234	1,843	628	2,000
1986	3,659	2,303	1,517	1,893	975	2,722
1987	5,291	2,017	1,421	2,486	1,498	2,517
1988	4,304	1,148	764	1,423	568	1,932
1989	3,805	960	552	1,169	391	1,720
1990	1,088	893	560	1,319	425	1,716
1991 1	438	802	480	1,287	401	1,409
1992 1	1,154	659	622	1,098	343	1,098

NOTE: A business bankruptcy is the legal recognition that a company is insolvent (that is, not able to satisfy creditors or discharge liabilities); the company must then restructure or completely liquidate. A business bankruptcy culminates in the filing of a bankruptcy petition under Chapter 7, 9, 11, 12, or 13 of the federal bankruptcy laws.

SOURCE: U.S. Small Business Administration, "The State of Small Business," 1993.

1 - Fiscal year data.

BUSINESS FAILURES BY SELECTED STATES, 1984-1992

	1984	1985	1986	1987	1988	1989	1990	1991	1992
Oklahoma	825	1,030	2,869	2,135	868	1,266	1,587	1,809	1,523
Iowa	395	830	672	915	661	560	554	350	655
Kansas	712	1,583	1,689	993	846	668	758	910	1,137
Missouri	1,275	1,247	1,632	1,573	1,381	1,150	1,216	1,559	1,766
Nebraska	106	487	368	684	269	216	358	524	627
Colorado	2,340	2,693	3,274	2,890	2,233	1,516	2,077	2,042	1,725

NOTE: A business failure is defined as the closure of business, causing a loss to at least one creditor.
 SOURCE: U.S. Small Business Administration, "The State of Small Business," 1993.
 1 - Based on fiscal year data.

BUSINESS AND INDUSTRY DEVELOPMENT IN KANSAS, 1994

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate *
Jobs created through site location assistance	2,500	2,500	2,500
Jobs created through training assistance	3,799	3,000	3,000
Jobs created or retained through business finance assistance	N/A	3,000	3,440
Jobs created through trade development services	90	200	220
New investments from assisted firms (millions)	\$9.5	\$15.0	\$20.0
Companies assisted with market/sales development	N/A	400	400
Jobs created through attraction development	13	318	18
Revenue generated through film assistance (millions)	\$2.4	\$2.5	\$2.7
Jobs created through Main Street program	188	200	225
Jobs created through CDBG program	1,125	1,250	1,500

* Estimated level of performance under Governor's recommendation.
 SOURCE: Kansas Division of the Budget, "The Governor's Budget Report, FY 1996", vol. 2.

State/Communities	Subsidized Carrier	Service to Hub	Annual Subsidy	Order Number & Expiration Date of Rate	Other EAS Points Served Under One Rate	Aircraft Type
IOWA						
[Senators Tom Harkin (D) and Charles E. Grassley (R)]						
16 . Ottumwa [Lighthfoot (R) 3rd]	Great Lakes	Chicago (O'Hare)	\$268,410	94-9-7, 9/30/96	None	Beech 1900 (19 seats)
KANSAS						
[Senators Robert J. Dole (R) and Nancy L. Kassebaum (R)]						
17 . Dodge City [Roberts (R) 1st]	Air Midwest	Kansas City	\$113,693	94-10-16, 10/31/96	Great Bend and Hays, KS	Beech 1900 (19 seats)
18 . Garden City [Roberts (R) 1st]	Mesa	Denver	\$190,987	94-10-16, 10/31/96	Lamar, CO and Goodland and Liberal, KS	Beech 1900 (19 seats)
19 . Goodland [Roberts (R) 1st]	Mesa	Denver	\$190,987	94-10-16, 10/31/96	Lamar, CO and Garden City and Liberal, KS	Beech 1900 (19 seats)
20 . Great Bend [Roberts (R) 1st]	Air Midwest	Kansas City	\$113,693	94-10-16, 10/31/96	Dodge City and Hays, KS	Beech 1900 (19 seats)
21 . Hays [Roberts (R) 1st]	Air Midwest	Kansas City	\$113,693	94-10-16, 10/31/96	Dodge City & Great Bend, KS	Beech 1900 (19 seats)
22 . Liberal, KS/Guymon, OK [Roberts (R) 1st-KS] [Lucas (R) 6th-OK]	Mesa	Denver	\$190,987	94-10-16, 10/31/96	Lamar, CO and Garden City & Goodland, KS	Beech 1900 (19 seats)
23 . Topeka [Brownback (R) 2nd]	Air Midwest	Kansas City	\$102,362	96-1-8, 12/27/97	None	Beech 1900 (19 seats)

SENATE TRANSPORTATION
DATE: 3/19/96
ATTACHMENT: 11

NCSL

202 737 1089

03/15/96 10:53

- 2 -

or medium hub are not eligible for subsidy. Reapplication of the statutory criteria results in only one community's losing its subsidy eligibility.

Congress is aware that such a reapplication of last year's criteria will fall far short of achieving the necessary savings in subsidy payments. In order to make the necessary reductions, we have looked to the Conference Committee Report for guidance as to how Congress expects the Department to implement the cuts. The report states that:

The conferees fully intend that all essential air service communities that are participating in the program in fiscal year 1995 will continue to be eligible for participation in the essential air service program in fiscal year 1996, albeit at reduced levels. The conferees expect that the Department may be required to make pro-rata reductions in the subsidy or daily/weekly service levels to manage the funding reductions included in the conference report.

It is therefore clear that the Congress has charged the Department with making substantial cuts in existing service levels and subsidy payments, but that Congress does not expect the Department, on its own initiative, to achieve the necessary cuts by eliminating any communities from subsidy eligibility.

Congressional Eligibility Criteria

As noted above, only one community -- Worthington, Minnesota -- will lose its subsidy eligibility under Congress's reiteration of fiscal year 1995 subsidy-per-passenger standard for fiscal year 1996. On the other hand, no communities will lose their eligibility under the 70-mile proximity standard.

With regard to the \$200 subsidy-per-passenger standard, we have based our review on traffic reported by the carriers for calendar year 1994 on Form 298-C, Schedule T-1, and current subsidy rates. Our review shows that subsidy per passenger exceeds \$200 at several communities. However, all are more than 210 miles from the nearest large or medium hub and thus protected from elimination, except Worthington. The current subsidy per passenger for Worthington is \$267.16,¹ and the community is located only 171 highway miles from the Minneapolis/St. Paul airport, a large hub. Consequently, Worthington will lose its eligibility under the statutory subsidy-per-passenger standard.

As for the 70-mile proximity standard, to determine a community's distance to a large or medium hub, we first identify nearby airports and use the FAA's *Airport Activity Statistics*

¹ Worthington's current annual subsidy is \$369,483, and the community registered 1,383 passengers during calendar year 1994.

Harrison, Arkansas, to St. Louis; from Dodge City, Great Bend and Hays, Kansas, to Denver; from Garden City, Kansas, to Kansas City; from Kearney, Nebraska, to Denver; from North Platte and Scottsbluff, Nebraska, to Omaha; and from Clarksburg and Morgantown, West Virginia, to Washington. Each of these ten communities receives service -- either subsidized or unsubsidized -- to some other hub.⁵

Second, we will no longer use subsidy to support service each weekday *and* over the weekend -- in effect, six days a week. Instead, we will limit our support of service to five days a week. This measure will be applied to all communities, without exception. We expect that this reduction will generally result in carriers' choosing to maintain weekday service at the expense of weekend service. We nonetheless recognize that, in certain markets, demand patterns may suggest that some weekend service is preferable to weekday service. We will therefore allow carriers the latitude to operate some subsidy-supported weekend service *in lieu of* weekday service where such a schedule best meets the needs of the community. In no case, however, can we subsidize service that exceeds the equivalent of five service days a week.

Third, we will use subsidy to support no more than two round trips each service day at each community;⁶ consequently, we can subsidize no more than 10 round trips a week. At present, about 50 subsidized communities receive three or more subsidized round trips a day to their hub. Given the extent of the program funding reductions, we cannot continue to support such levels of service at some communities without reducing other communities' service to a single round trip a day -- an action that we wish to avoid, if at all possible.

Program-wide Subsidy Reductions

Because it is imperative that we reduce program spending as soon as possible, we are concomitantly establishing lower subsidy levels for the reduced service requirements. In order to effect cuts of the required magnitude, we must adopt an across-the-board method; it is simply not administratively feasible to renegotiate new subsidy rates for some 80 communities and still implement the cuts in a timely manner. The revised subsidy rates are shown in Appendix A, and will become effective November 27, 1995, through the remainder of carriers' current rate terms.⁷

⁵ Subsidized Nebraska communities are also discussed below in another context.

⁶ Under the basic statute, 49 U.S.C. 41731-42, each eligible community is guaranteed two round trips each day. We want very much not to breach that guarantee; the lack of weekend service would already breach that guarantee a little, but we do not want to go further. More than two round trips at some communities would result in less than two at others.

⁷ The reductions, if implemented on November 27, appear sufficient to bring program spending down to the required level of \$22.6 million for the full 1996 fiscal year, as shown in Appendix A. However, we will be closely monitoring our subsidy obligations and outlays throughout the year, and it may become necessary to make further reductions later on. The likelihood of further reductions later increases if we delay implementation of these cuts beyond November 27.

- 6 -

GP Express's service options that offer two round trips a day for each community, consistent with the service levels we are subsidizing program-wide.¹¹ Specifically, we will tentatively select a combination of proposals that will authorize GP Express to provide two round trips a day from Alliance and Chadron to Denver (with an intermediate stop permitted at Scottsbluff) for \$837,615 annually, two round trips from McCook to Denver for \$948,710 annually, and two round trips from Hastings and Kearney to Kansas City for \$732,682 annually.¹² These subsidy rates reflect those negotiated with GP Express and contemplate weekend service; as discussed above, however, we cannot support weekend service. Appendix A contains the modified rates, based on the methodology that we are employing program-wide.

We point out that the subsidy reductions in no way prevent carriers from maintaining higher service levels at the communities without subsidy. In this regard, we would encourage the communities and carriers to work together to maintain the best service practicable. Our action to terminate or reduce subsidy and service levels supersedes the terms and conditions of carriers' current subsidy rates, although we expect carriers to continue to maintain well-timed schedules. To the extent necessary to implement the service changes outlined in this order, carriers are exempt from the notice and hold-in requirements of 49 U.S.C. 41734. Beyond our present action, however, the notice requirements of 49 U.S.C. 41734(a) remain intact.

Department staff is contacting the affected communities and carriers, to advise them of our actions here. We expect the carriers to notify all passengers holding reservations on any flights that will be canceled, to advise them of the cancellations, and to assist them in arranging alternate transportation.

Although the reduced appropriation makes it necessary to implement these program-wide changes immediately, we want to continue to work with affected communities and carriers to make the resultant service as responsive to their needs as possible. Further, if we have made any errors in calculation, we wish to correct them. Hence, we invite comments from affected communities and carriers and will receive them through November 30, 1995; however, the receipt of a comment will not alter the fact that the changes set forth in Appendix A to this order must, and will, take effect on November 27, 1995. The need to implement these reductions quickly does not permit either a later effective date or comment deadline. Comments should be fully documented and contain complete information on the data used by the person commenting. We will rule on any comments as quickly as possible.

¹¹ We will shortly address the remaining procedural, service, selection and rate issues pertaining to the Nebraska case in a separate order.

¹² The rates and schedules proposed for Alliance, Chadron and McCook contemplate that one aircraft will be used to serve all three communities.

7. We will serve a copy of this order on the parties to the dockets listed in Appendix C.

By:

PATRICK V. MURPHY
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

CALCULATION OF SUBSIDY REDUCTIONS

Appendix A
Page 2 of 6

	RT's/ Week	Current Round Trips Per Week Unless Footnoted	Reduction in RT's From Current Level	Current Annual Subsidy	Adjustment	Adjusted Annual Subsidy	
	HA	2	12	2	\$248,493	\$215,361	
Kamuela	IA	2	12	2	\$309,704	\$268,410	
Ottumwa	KS	2	4,396	1,804	\$434,941	\$292,151	13/
Dodge City, Heys, and Great Bend	KS/CO	2	6,601	3,028	\$1,204,973	\$763,947	13/
Garden City, Goodland, Liberal, & Lamar	MT	2	12	2	\$1,015,320	\$879,944	
Havre, and Lewistown	MT	2	12	2	\$701,438	\$607,913	
Glasgow, and Wolf Point	MT	2	2,836	564	\$1,826,283	\$1,535,726	14/
Glendive, Miles City, and Sidney	ND	2	12	2	\$163,295	\$141,522	10/
Dickinson	NE	2	12	12	\$1,001,602		15/
Scottsbluff, and North Platte	NE	2	12	2	\$837,615	\$725,933	
Alliance, and Chadron	NE	2	12	2	\$732,682	\$634,991	
Hastings, and Kearney	NE	2	12	2	\$948,710	\$822,215	
McCook	NB	2	12	2	\$727,082	\$630,138	16/
Ely	NV	2	12	2	\$325,247	\$250,905	
Ponca	PR	2	14	4	\$429,722	\$372,426	
Brownwood	TX	2	12	2	\$484,552	\$367,713	17/
Moab	UT	2	1,347	406	\$167,583	\$145,239	
Worland	WY	2	12	2	\$11,559,242	\$8,654,534	Subtotal
						\$1,073,031	Subtotal
Cordova, Gustavus, Petersburg, Wrangell, and Yakutat	AK	1	7	2	\$1,390,966		

\$19,859,429 12 Month Totals Above
 \$16,549,524 10 Months of Above
 \$523,753 10 Months of Alaska Bush
 \$5,500,000 Funds Obligated for First
 2 Months of FY 96.

\$22,573,279

Note: The values in the adjusted annual subsidy column are calculated as follows, using Merced and Visalia as an example:
 \$700,464 - (15 weekly flights lost/25 current weekly flights * .8 variable costs * \$700,464) = \$364,241.
 For Harrison and Hot Springs, where service to a second hub is eliminated (see also Worthington and the Kansas Points)
 the reduction in subsidy is calculated as follows: (\$1,512,982 - \$350,000) - (8/18 * .8 * (\$1,512,982 - \$350,000))

SENATE TRANSPORTATION
 DATE: 3/19/98
 ATTACHMENT: 11-20

Appendix A

Page 4 of 6

7/ Kingman and Prescott, AZ

Current Hours: 2,147 hours based on three IGM-PRC-PHX round trips plus one PRC-PHX round trip six days per week.

New Hours: 1,023 hrs.

IGM-PRC-PHX: 4 flights/day x 261 days x 60 minutes x .98/60

8/ Bar Harbor and Rockland, ME

Current Hours: 2,472 hours include peak period service with 15-seat Beech C-99 at Rockland in lieu of the 19-seat Beech 1900, so it is necessary to adjust current hours to "current adjusted hours."

Peak Period:

BHB-BOS: 28 r.t./week x 12 weeks x 2 directions x 53 min x .97/60 = 576

RKD-BOS: 21 r.t./week x 12 weeks x 2 directions x 46 min x .97/60 x 15/19 seats = 296

Off-peak:

BHB-RKD-BOS: 7 r.t./week x 40 weeks x 2 directions x 66 min. x .97/60 = 598

BOS-BHB-RKD-BOS: 12 r.t./week x 40 weeks x (66 +53)min x .97/60 = 923

Current Adjusted B-1900 Hours: 2,393 hrs.

New B-1900 Hours: 1,114 hrs.

BHB-RKD-BOS: 4 flts./day x 66 min. x 261 days x .97/60

9/ Fairmont, Mankato, and Worthington, MN and Brookings and Mitchell, SD

First we are eliminating Worthington from subsidy eligibility (\$369,483) because its subsidy per passenger exceeds \$200. Next, the communities all received three round trips on weekdays and two on weekends, so we make this pro-rata adjustment.

10/ Fergus Falls, MN and Dickinson, ND

Fergus Falls and Dickinson are two communities that share 25% of the subsidy cost of providing air service. These numbers reflect the Department's share of the total subsidy and we would expect the communities would pay less for the reduced service as well as the Department.

SENATE TRANSPORTATION

DATE: 3/19/96

ATTACHMENT: 11-7

16/ Ely, NV

SkyWest provides one round trip, six days per week to both Reno and Salt Lake City. We have therefore eliminated weekend service to each hub.

Furthermore, we have reached agreement with Alpine. Alpine has agreed to provide a total of three round trips--two to Salt Lake City and one to Reno. Should Alpine inaugurate service at Ely, we will limit service to two round trips per weekday and eliminate all weekend service.

17/ Moab, UT

Current Hours: 1,347 hours based on three round trips a day for a four-month peak period and two round trips for the remainder of the year.

New Hours: 941 hrs.

.92 hrs./flt x 261 days x 4 flts./day x .98

ADJUSTED PAYOUT FOR REDUCED SERVICE

		Carrier	Adjusted Annual Subsidy	Subsidy Eligible Scheduled Departures 1/	Projected Completion Factor	Estimated Completed Departures	Subsidy/ Departure	Weekly Ceiling 2/
Kamuela	HA	Trans Air	\$215,361	1,044	95.0%	992	\$217.10	\$4,342.00
Othmanwa	IA	Great Lakes	\$268,410	1,044	98.0%	1,023	\$262.38	\$5,247.60
Dodge City	KS	Air Midwest	\$97,384	1,044	98.0%	1,023	\$95.19	\$1,903.80
Hays	KS	Air Midwest	\$97,384	1,044	98.0%	1,023	\$95.19	\$1,903.80
Great Bend	KS	Air Midwest	\$97,384	1,044	98.0%	1,023	\$95.19	\$1,903.80
Garden City	KS	Mesa	\$190,987	1,044	98.0%	1,023	\$186.69	\$3,733.80
Goodland	KS	Mesa	\$190,987	1,044	98.0%	1,023	\$186.69	\$3,733.80
Liberal	KS	Mesa	\$190,987	1,044	98.0%	1,023	\$186.69	\$3,733.80
Lamar	CO	Mesa	\$190,987	1,044	98.0%	1,023	\$186.69	\$3,733.80
Havre	MT	Big Sky	\$439,972	1,044	96.0%	1,002	\$439.09	\$8,781.80
Lewistown	MT	Big Sky	\$439,972	1,044	96.0%	1,002	\$439.09	\$8,781.80
Glasgow	MT	Big Sky	\$303,956	1,044	96.0%	1,002	\$303.35	\$6,067.00
Wolf Point	MT	Big Sky	\$303,956	1,044	96.0%	1,002	\$303.35	\$6,067.00
Glendive	MT	Big Sky	\$511,909	1,044	96.0%	1,002	\$510.89	\$10,217.80
Miles City	MT	Big Sky	\$511,909	1,044	96.0%	1,002	\$510.89	\$10,217.80
Sidney	MT	Big Sky	\$511,909	1,044	96.0%	1,002	\$510.89	\$10,217.80
Dickinson	ND	Great Lakes	\$141,522	1,044	98.0%	1,023	\$138.34	\$2,766.80
Sonsbluff, & /N.Plaza	NE	GP Express	\$0.00	0	N/A	N/A	\$0.00	\$0.00
Allamore	NE	GP Express	\$362,967	1,044	98.0%	1,023	\$354.81	\$7,096.20
Chadron	NE	GP Express	\$362,967	1,044	98.0%	1,023	\$354.81	\$7,096.20
Hastings	NE	GP Express	\$317,496	1,044	98.0%	1,023	\$310.36	\$6,207.20
Kearney	NE	GP Express	\$317,496	1,044	98.0%	1,023	\$310.36	\$6,207.20
McCook	NE	GP Express	\$822,215	1,044	98.0%	1,023	\$803.73	\$16,074.60
Ely	NV	Sky West	\$630,138	1,044	97.0%	1,013	\$622.05	\$12,441.00
Ponce	PR	Executive	\$250,905	1,044	98.5%	1,028	\$244.07	\$4,881.40
Brownwood	TX	Lonestar	\$372,426	1,044	97.5%	1,018	\$365.84	\$7,316.80
Moab	UT	Alpine	\$367,713	1,044	98.0%	1,023	\$359.45	\$7,189.00
Worland	WY	Mesa	\$145,239	1,044	98.0%	1,023	\$141.97	\$2,839.40
Cordova	AK	Alaska	\$268,599	522	100.0%	522	\$514.56	\$5,145.60
Gustavus	AK	Alaska	\$268,599	522	100.0%	522	\$514.56	\$5,145.60
Yakutat	AK	Alaska	\$268,599	522	100.0%	522	\$514.56	\$5,145.60
Petersburg	AK	Alaska	\$133,617	522	100.0%	522	\$255.97	\$2,559.70
Wrangell	AK	Alaska	\$133,617	522	100.0%	522	\$255.97	\$2,559.70

1/ Four departures to or from the hub five days per week, calculated as follows: 4 x 261 weekdays, except for Alaska which is eligible to receive subsidy for two departures per day to or from the hub five days per week.
2/ We will afford the carriers the additional flexibility to better meet the needs of the community by establishing weekly compensation ceilings, such that service could be provided on weekends or additional service on any particular weekday so long as the weekly compensation ceiling is not exceeded.

APPENDIX C

Page 2 of 5

SUBSIDIZED ESSENTIAL AIR SERVICE COMMUNITIES

ARIZONA

Kingman	Docket 42285
Prescott	Docket 42285
Page	Docket 45031

ARKANSAS

El Dorado/Camden	Docket 42566
Harrison	Docket 43481
Hot Springs	Docket 42460
Jonesboro	Docket 43777

CALIFORNIA

Crescent City	Docket 40825
Merced	Docket 41599
Visalia	Docket 49091

COLORADO

Cortez	Docket 45590
Lamar	Docket 41030

HAWAII

Kamuela	Docket 48638
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IOWA

Ottumwa	Docket 42911
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KANSAS

Dodge City	Docket 40130
Garden City	Docket 40130
Goodland	Docket 40130
Great Bend	Docket 40130
Hays	Docket 40130
Liberal, KS/Guymon, OK	Docket 43774
Topeka	Docket 49505

SUBSIDIZED ESSENTIAL AIR SERVICE COMMUNITIES

NEVADA

Ely

Docket OST-95-361

NEW HAMPSHIRE

Keene

Docket 46291

NEW MEXICO

Alamogordo/Holoman

Docket 43097

Clovis

Docket 45527

Silver City/Hurley/Deming

Docket 42345

NEW YORK

Massena

Docket 47439

Ogdensburg

Docket 47439

Watertown

Docket 47439

NORTH DAKOTA

Devils Lake

Docket 46794

Dickinson

Docket OST-95-697

Jamestown

Docket 46794

OKLAHOMA

Enid

Docket 42130

Ponca City

Docket 42130

PENNSYLVANIA

Oil City/Franklin

Docket 43934

PUERTO RICO

Ponce

Docket 43313

SOUTH DAKOTA

Brookings

Docket 46794

Mitchell

Docket 46794

Yankton

Docket 46794

WHAT IS ESSENTIAL AIR SERVICE?

In 1978, when the Airline Deregulation Act (ADA) was enacted, 746 communities in the United States and its territories were listed on air carrier certificates issued under section 401 of the Federal Aviation Act of 1958. Before deregulation, air carriers' operating certificates for most of these communities required carriers to schedule and provide two daily round trips at each point on their certificates. During the pre-ADA debates, the prospect of allowing carriers to terminate scheduled service without prior Government approval raised concern that communities with relatively lower traffic levels would lose service entirely as carriers shifted their operations to larger, potentially more lucrative markets. To address this concern, Congress added section 419 to the Federal Aviation Act, which established the essential air service program, which today is administered by the Department of Transportation, to ensure that smaller communities would retain a link to the national air transportation system, with Federal subsidy where necessary.

Under this program, the Department determines the minimum level of service required at each eligible community by specifying a hub through which the community is linked to the national network, a minimum number of round trips and available seats that must be provided to that hub, certain characteristics of the aircraft to be used, and the maximum permissible number of intermediate stops to the hub. The program's guidelines were codified by rulemaking as a Policy Statement of the Department in Volume 14, Code of Federal Regulations (CFR), Part 398. Where necessary, the Department pays subsidy to a carrier to ensure that the specified level of service is provided. Most certificated points, of course, do not require subsidized service; as of March 1994, the Department was subsidizing service at about 90 communities in the contiguous 48 states, Hawaii, and Puerto Rico, and at about 30 in Alaska.

Congress initially authorized the program for a ten-year period, through October 23, 1988. Its interest in ensuring service at small communities remained strong, and before the program's expiration, Congress enacted the Airport and Airway Safety and Capacity Expansion Act of 1987, Public Law 100-223, which expanded the program and extended it for ten more years, through fiscal year 1998. Insofar as service guarantees were concerned, Public Law 100-223 amended section 419 of the Federal Aviation Act by codifying many of the Department's guidelines in 14 CFR 398 as well as specifying an increased minimum level of service--termed "basic" essential air service--for any community that was eligible for service under the earlier program and actually receiving service during any part of fiscal year 1988. In addition, Public Law 100-223 provided for a higher level of service--termed "enhanced" essential air service--which communities could obtain either by agreeing to a subsidy-sharing commitment or by agreeing to risk the loss of basic service if the Department-funded enhanced service failed to meet agreed levels of passenger use. Finally, the new law contained provisions by which new communities could participate in the program.

The various statutorily-mandated elements comprising basic essential air service exceeded the minimums that had prevailed under the Department's discretionary regulatory

- 3 -

capable of providing reliable essential air service, the Department will authorize the applicant to provide the service. The Department will require the incumbent carrier to maintain its service until a replacement carrier begins service.

If the Department determines that a particular eligible point cannot sustain basic essential air service without subsidy support, the Department is required by the Federal Aviation Act to solicit proposals for subsidized service. Any interested air carrier may submit a proposal to provide subsidized service; such carriers are expected to carefully detail the bases for their calculations of subsidy need. Once Department staff has reviewed the proposals and met with each applicant to finalize the proposals, the Department will elicit civic party comments. It then selects a carrier on the basis of several factors, including the preferences of the community, the level of subsidy required, the quality of the proposed service, the applicant's financial stability, and the applicant's experience in providing reliable scheduled air transportation. The legislation also directs the Department to consider applicants' marketing relationships with major carriers in our selection decisions.

The Department will normally select a carrier to provide basic essential air service at an eligible point for two years. At the end of each selection period, the Department will either: (1) renegotiate a rate for continuation of service with the incumbent carrier and publish this tentative rate in an order to show cause (which may be responded to by any interested air carriers), or (2) solicit proposals as described above. Thus, air carriers wishing to participate in the program have recurring opportunities to propose to provide essential air service at communities of interest to them.

To receive copies of any of these documents, interested parties should contact:

Office of Aviation Analysis, X-50
Room 6401
U.S. Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Telephone 202-366-1040, FAX 202-366-7638

COMMITTEE ON TRANSPORTATION
February 13, 1996
LB 1305
ROUGH DRAFT

LB 1305

SENATOR KRISTENSEN: Thank you, Senator Pirsch and members of the committee. This is the last of the year for the committee, but I certainly don't want this to be reflective that it's the least important bill. For the record, my name is Senator Doug Kristensen representing the 37th Legislative District here to introduce to you a bill that I, in my own mind, feel is extremely important. And it doesn't pack the hearing room like speed limits. It may not get the attention of the youth of Nebraska. It may not even gain the attention of a majority of the Legislatures. However, we're talking about essential air service. And I guess the...I said as a child listening to my grandmother remark about how amazing it was when they would raise products at their farm, and they could actually take it to town and there was someone else that wanted to buy their product. And what an amazing sight that it was when there was actually somebody from Lincoln who was in Minden who thought that their produce was so wonderful that they would drive all the way from Lincoln to Minden to buy their product and how thankful she was that there was a good road, at that time it was obviously gravel all the way from Minden to

the services that I need. And, in this state, we have a real challenge ahead of us. Essential air service is not a luxury. The word "essential" is there for a reason. Right now, Congress appropriates money and sends to this state a little over 2 million dollars that's paid to keep certain air services alive and to keep certain runs alive in the state of Nebraska. That money is in jeopardy. It's going to last through probably the fall of 1997. With some good luck, it may be extended one more year, but, beyond that, essential air service money from Congress is going to go away. It will not be here. With that, if we're going to continue to have that ability to get our citizens to the rest of the world and more importantly, I think, the rest of the world to our citizens, we're going to need air service. We can't have an airport in every community. Minden's given up long ago of having an airport for transferring goods, as if they ever had one, but, in effect, they know that that's not practical. McCook may not be able to keep an airport. You know, quite frankly, Kearney may not be able to keep an airport, but they need some access to service. And the great challenge that faces this state in terms of transportation is essential air service. What I've done with this piece of legislation is try to accomplish three goals. The first goal was to make sure that we underline

probably to impose upon all of us the realization that we're going to have to work together and that we're not going to be able to have an airport in every major community in this state. We're not going to have a number of flights that are convenient every day to leave and to go and bring people in. But our population centers that have factories that employ people that travel for numbers of miles to work or our hospitals, for example, in Good Samaritan Hospital in Kearney, the average patient travels over 80 miles to come to that hospital. And, if you go out to Scottsbluff, their medical community's much the same way. People travel from long ways away to get those essential needs, but, if you don't have that air service, you're not going to be able to fly in the doctors that do the specialty work. You're not going to be able to have factories and businesses that bring in technicians from all over the world. Do you realize that Ford Motor Company...the valves that are made for Ford Motor Company, most of them come out of the Kearney plant and that they need to get people here but, physically, you just can't get from Detroit to Kearney? It just doesn't work. And the same thing is in reverse. And that, if we want this state in the future to be able to have any opportunity for air service and to keep businesses here, you're going to have to address the air service. Now, is this a bill that is

this bill, introduced a bill in Congress, and I've got a copy of it. (Exhibit 14) And, Joe, would you pass that for people just to look at? Right now, there is a preemption. We can't do the boarding fees in the state of Nebraska. Bill Barrett's introduced a bill that hopefully will have some merit in Congress but will begin their discussion, as well, to allow us...if they're not going to send us the funds for essential air services, to allow us the opportunity to create our own funds. Is \$3 a tax increase? I suppose, if you want to put on your hat of purism, it is a \$3 tax increase. It'll be...it'll probably be a tax decrease if Congress balances their budget and essential air service funding goes away. But, what really occurs here is that, if we don't in some manner give to communities their own ability to have some air service...maybe it isn't flying airplanes. Maybe it's expanding the Eppley express, the bus system down at the interstate to pick people up. But you need to allow a fund and to allow those communities up and down the Platte River...do you need an airport in Hastings, Grand Island, and Kearney? I doubt if you'll be able to keep those three. You may only have one that survives, but you need to give them the opportunity to do that. To Bill Barrett's credit, he has introduced this legislation to give us a chance. And all that we've asked there is that, if

violate federal rule and regulation, and, without a change in Congress, this bill has no effect. But things have changed in Congress. There is some response to this and that's positive. The other things that we need to look at and there's some questions here, obviously, is that the airlines are going to collect this fee. They need to have a reasonable collection rate to do it, and that's only fair. That's been a source of controversy in other states. We have about 1.5 million boardings a year. They call them enplanements, now. I don't know, I always called it getting on and off the airplane, but, I guess, enplanement's the new term that we're supposed to use. The fee would generate about 4.6 million dollars. It'll cost us somewhere between 100 and \$200,000 a year to run the system. You're going to have to have some collection fees in there for the airlines. But the bottom line is that we're getting a little over \$2 million now. This would be a \$4 million generation at the present fee level, and that should be sufficient for the communities to begin their own air service or, at least, carry it on and try to find ways to make it run as a business. Ultimately, what's going to have to happen is the western and central part of the state are going to have to work together with the Omaha airports and the Omaha airlines and find a way to keep air service here. But, without some

you'll have done a great disservice to the rest of the state. I hope to avoid that. With that, I would hope you'd look favorably. There are things that I think I'm going to offer as amendments to try to make the bill better, to include some rates of return or collection fees. I think we need to address the issue of what boarders pay those fees. For example, when...Senator Pedersen; you don't take gambling flights anymore, but there are those that do, that get on the plane to go to Las Vegas. Do you do that? Do you you collect the boarding fee who are on a subsidized flight? I think that you do that. I think that all of Nebraska needs to share in those fees. I would hope that the committee would begin to take a good look at essential air service and that it's not an easy problem to solve, but it's a matter that, if we don't begin to look at it, then we'll have serious problems. I'd offer the bill. It's designed to put the money into a fund to allow and advisory board with the Department of Aeronautics to create the ways in which the money will be spent. I'd suggest to you that they won't be the same in all communities. That what Chadron may need will be much different than what Grand Island may need. I'd be happy to answer any questions.

LEGISLATURE OF NEBRASKA
NINETY-FOURTH LEGISLATURE
SECOND SESSION
Legislative Bill 1305

Introduced by Kristensen, 37

Read first time January 18, 1996

Committee: Transportation

A BILL

- 1 FOR AN ACT relating to aeronautics; to adopt the Nebraska Essential
- 2 Air Service Subsidy Act; and to provide for a surcharge.
- 3 Be it enacted by the people of the State of Nebraska,

printed with soy ink on recycled paper

SENATE TRANSPORTATION
DATE: 3/19/96
ATTACHMENT: 13

1 Section 1. This act shall be known and may be cited as
2 the Nebraska Essential Air Service Subsidy Act.

3 Sec. 2. For purposes of the Nebraska Essential Air
4 Service Subsidy Act:

5 (1) Air travel ticket means all documents pertaining to a
6 passenger's complete itinerary necessary to transport the passenger
7 by air, including passenger manifests;

8 (2) Commercial service airport means a public airport (as
9 defined by 49 U.S.C. 47102) determined by the United States
10 Secretary of Transportation to enplane annually two thousand five
11 hundred passengers or more and to receive scheduled passenger
12 service of aircraft;

13 (3) Department means the Department of Aeronautics;

14 (4) Issuing carrier means any air carrier that issues an
15 air travel ticket or whose imprinted ticket stock is used in
16 issuing such ticket by an agent; and

17 (5) Passenger enplaned means a domestic, territorial, or
18 international revenue passenger enplaned in this state in scheduled
19 or nonscheduled service on an aircraft in intrastate, interstate,
20 or foreign commerce.

21 Sec. 3. There is imposed in this state an essential air
22 service surcharge of three dollars for each paying passenger
23 enplaned at a commercial service airport located within this state.

24 Sec. 4. Each issuing carrier shall collect from each
25 passenger enplaned at a commercial service airport located in this
26 state the surcharge prescribed by section 3 of this act. The
27 surcharge shall be remitted to the department monthly no later than
28 thirty days after the end of the month in which it was collected,

1 together with reporting forms to be provided by the department.
2 The department shall remit the proceeds to the State Treasurer for
3 credit to the Nebraska Essential Air Service Fund. The department
4 may require an audit of any issuing carrier collecting the
5 surcharge.

6 Sec. 5. The Nebraska Essential Air Service Subsidy Fund
7 is created. The fund shall be used to provide for the maintenance
8 and support of essential air service within the State of Nebraska.
9 Any money in the fund available for investment shall be invested by
10 the state investment officer pursuant to the Nebraska Capital
11 Expansion Act and the Nebraska State Funds Investment Act.

12 Sec. 6. The Nebraska Essential Air Service Subsidy Act
13 Advisory Committee is created. The committee consists of eleven
14 members, appointed by the Governor, as follows:

- 15 (1) Seven members representing a municipality where there
16 is located a commercial service airport;
- 17 (2) One member representing a commercial air carrier
18 doing business in this state;
- 19 (3) One member representing the general public;
- 20 (4) The Director of Economic Development; and
- 21 (5) The Director of the Department of Aeronautics.

22 The members shall be appointed for a term of two years
23 with the approval of a majority of the members of the Legislature.
24 The members shall be reimbursed for their actual and necessary
25 expenses as provided in sections 81-1174 to 81-1177.

26 Sec. 7. The department shall administer the fund with
27 the assistance and advice of the Nebraska Essential Air Service
28 Subsidy Act Advisory Committee to provide for the preservation,

LB 1305

LB 1305

1 maintenance, and enhancement of commercial air service to
2 commercial service airports located within this state. The
3 department shall adopt and promulgate rules and regulations to
4 carry out the purposes of the Nebraska Essential Air Service
5 Subsidy Act, including rules and regulations to designate qualified
6 air carriers eligible to receive essential air service payments,
7 and to establish the method and procedure for determining the
8 amount of subsidy a qualified air carrier will be eligible to
9 receive under the act.